

Message Text

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60
ACTION XMB-04

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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 1094

LIMITED OFFICIAL USE MANAGUA 4271

FOR EXIMBANK

E.O. 11652: NA
TAGS: BPRO, NU
SUBJECT: EXIMBANK SUPPORT OF SALE OF TEXTILE MACHINERY TO EL
PORVENIR

REF: (A) STATE 221044, (B) STATE 220466

1. EMBASSY MANAGUA PERCEIVES NO REASONS EXIMBANK SHOULD NOT
CONSIDER REQUEST BY BANK OF AMERICA INTERNATINAL OF FLORIDA
TO SUPPORT SALE OF TEXTILE MACHINERY COSTING \$1.9 MILLION TO
FABRICA DE HILADOS Y TEJIDOS EL PORVENIR S.A.

2. EL PORVENIR IS ONE OF MANY LOCAL CONCERNS OWNED BY PRESIDENT
ANASTASIO SOMOZA DEBALDE. EL PORVENIR PRODUCES VARIOUS TYPES
OF COTTON AND POLYESTER CLOTH. ITS LARGE PLANT LOCATED IN MANAGUA
EMPLOYS 750 PERSONS AND PRODUCES OVER ONE MILLION YARDS OF CLOTH
PER MONTH. EIGHTY PERCENT OF THE CLOTH PRODUCED CONSISTS OF
BLUE DENIM, WHICH ENJOYS A READY MARKET IN CENTRAL AMERICA,
THE US AND EUROPE. ABOUT HALF THE DENIM PRODUCED IS EXPORTED TO
THE US. ANOTHER QUARTER OF THE DENIM IS SOLD TO LOCAL FACTORIES
PRODUCING DENIM CLOTHING; MOST OF THIS CLOTHING ALSO IS EXPORTED
TO THE US.

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3. EL PORVENIR HAD A HUGE FIRE SIX MONTHS AGO WHICH ENTIRELY

DESTROYED THE BUILDING AND MACHINERY FOR PRODUCING COTTON YARN FROM RAW COTTON. IN ORDER TO CONTINUE PRODUCING CLOTH, THE FIRM IS NOW IMPORTING COTTON YARN; BUT IT IS ANXIOUS TO GO BACK TO PRODUCING ITS OWN YARN. NEW OPENING AND PICKING, CARDING, DRAWING, AND ROVING MACHINES MUST BE PURCHASED RIGHT AWAY SO THAT PRODUCTION OF YARN CAN COMMENCE AS SOON AS A NEW 56,000 SQUARE FOOT BUILDING IS COMPLETED IN NOVEMBER OR DECEMBER.

4. EMBASSY FEELS THE FACT THAT PRESIDENT SOMOZA HAS A MAJOR INTEREST IN EL PORVENIR SHOULD HAVE NO BEARING ON EXIMBANK LOAN; EL PORVENIR IS OPERATED AS AN INDEPENDENT PRIVATE CONCERN PURCHASING FROM AND SELLING TO MANY WELL KNOWN LOCAL AND US FIRMS. IT IS AN IMPORTANT LOCAL EMPLOYER AND IS ONE OF THE NEW, TRULY LARGE, Viable, AND DYNAMIC LOCAL INDUSTRIES. DURING EMBOFF'S VIST TO THE PLANT SEPTEMBER 8, THE GENERAL MANAGER OF EL PORVENIR POINTED OUT HIS FIRM'S URGENT NEED FOR THE MACHINERY. HE SAID HIS FIRM WOULD NOT HESITATE TO PURCHASE ELSEWHERE IF ATTRACTIVE FINANCING CANNOT BE OBTAINED SOON IN THE UNITED STATES.

5. COMMENT: WHILE EMBASSY WOULD WELCOME FAVORABLE EXIM CONSIDERATION OF TEXTILE MACHINERY CREDIT, EMBASSY WOULD NOT LIKE TO SEE THE PENDING GON APPLICATION FOR AN \$8 MILLION ROAD-BUILDING EQUIPMENT CREDIT THEREBY JEOPARDIZED -- ESPECIALLY GIVEN EXIM'S CONCERN (REFTEL B) ABOUT DEGREE OF ITS EXPOSURE IN NICARAGUA. LATTER APPLICATION, IN OUR VIEW, HAS MUCH GREATER POTENTIAL FOR MAJOR FOLLOW-ON SALES OF US EQUIPMENT THAN DOES TEXTILE MACHINERY DEAL.
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